



Advising the Congress on Medicare issues

MIPPA MA payment report work plan

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MedPAC report on MA payments

- Mandated by Section 169 of MIPPA
- Three main tasks
 1. study the correlation between MA plan costs and county FFS Medicare spending
 2. evaluate CMS's measurement of county-level spending
 3. examine alternate payment approaches and make recommendations as appropriate
- Report due March 2010

Prior recommendations – June 2005

- The Congress should set the benchmarks that CMS uses to evaluate Medicare Advantage plan bids at 100 percent of the fee-for-service costs.
- The Congress should establish payment areas for Medicare Advantage local plans that have the following characteristics:
 - Among counties in metropolitan statistical areas, payment areas should be collections of counties that are located in the same state and the same metropolitan statistical area.
 - Among counties outside metropolitan statistical areas, payment areas should be collections of counties in the same state that are accurate reflections of health care market areas, such as health service areas.

Task 1: Study the correlation between MA plan costs and county FFS Medicare spending

- Do plan costs rise as FFS spending rises?
- Congress is interested in learning about relationship between plan cost and FFS cost
 - Current payment policy incorporates FFS spending in setting benchmarks
 - How might any future benchmark changes affect geographic areas with different levels of FFS spending?
- Congress instructs us to use plan bids as cost measure

Analysis of cost correlation

Several measures are available

- Total Part A/B bid v. FFS projection
- Medical cost of Part A/B bid v. FFS projection
- Look-back A/B plan costs v. actual FFS spending

More sophisticated analysis than correlation

Regression modeling

- Plan costs = fixed costs +
percentage of FFS costs
- Could help tell us:
 - Where payments might be advantageous/
disadvantageous relative to plan cost
 - Whether different plan types have different cost
structures
- Could incorporate other market variables such
as number of competitors

Task 2: Evaluate CMS's measurement of county-level spending

Study the accuracy and completeness of the county-level FFS Medicare spending estimates including:

- VA incurs costs from treating Medicare beneficiaries
- Administrative costs

Analysis of CMS's measurement of county-level spending

- Interview CMS actuaries
- Measure variation
 - Year-to-year
 - Across county lines
- Investigate VA and administrative cost differences for MA and FFS

Task 3: Alternate payment approaches

- The Commission is concerned that excessive payments to plans are attracting inefficient plans to MA and are threatening Medicare's sustainability
- Language asks us to examine policies other than payment based on FFS at county-level
- Are there ways to reduce spending and maintain broad plan availability?

Analysis of alternative approaches

- Change distribution of benchmarks
 - Blend national and local FFS spending
 - Use national benchmark
 - Adjusted for prices
 - Other variants
- Change payment areas

Problems related to current payment area definition

- For MA local plans, payment area is the county
- Benchmark=FFS spending in some counties, but FFS at county level creates problems
 - FFS unstable over time because of low population, so in a given year county's FFS may not reflect typical FFS spending
 - Adjacent counties can have very different FFS; creates perceptions of inequity

Previous MedPAC work on payment areas

- Evaluated alternative payment areas that addressed problems related to county definition
- Recommendation (June 2005):
 - Among urban counties, use MSAs as payment areas
 - Among rural counties, collect counties so that payment areas reflect health care market areas

Guidelines used in previous recommendation

- Payment areas larger than counties
 - More stable FFS spending
 - Reduce differences in FFS spending between adjacent counties
- But not too large
 - Some counties already large
 - Avoid large variation in costs within payment areas
- Approximate market areas served by plans

New analysis of payment areas

- Replicate payment area from previous recommendation
- Examine other alternatives that address problems presented by county definition
- Evaluate each payment area alternative under current payment approach and other payment approaches discussed earlier